

STATE OF CALIFORNIA

Public Utilities Commission
San Francisco

MEMORANDUM

Date: April 29, 2002

To: The Commission
(Meeting of May 2, 2002)

From: Bill Julian
Office of Governmental Affairs (OGA) — Sacramento

Subject: **SB 1976 (Torlakson)** – This bill requires the CEC and the Commission to report to the Legislature and the Governor by November 1, 2002, on the feasibility of implementing real-time pricing tariffs for electricity in California.

The CPUC-OGA requests a formal position by the Commission for the above Senate Bill. Please find bill summary attached.

SB 1976 (Torlakson) – California Energy Commission: report: real-time pricing.

As Introduced: URGENCY

RECOMMENDATION: Support

SUMMARY: This bill requires the CEC and the Commission to report to the Legislature and the Governor by November 1, 2002, on the feasibility of implementing real-time pricing tariffs for electricity in California.

ANALYSIS: This measure calls for a report on the manner in which wholesale real time prices would be calculated and made available to customers; the options for day-ahead and hour-ahead retail prices; the facilitation of customer response; an estimate of potential peak load reductions and reporting on options for incorporating of demand responsiveness into the wholesale competitive market and operations of the ISO. In the Commission's ongoing proceedings on real time pricing, we have outlined several issues:

- FERC is increasingly looking to demand responsiveness as an excuse for it to abdicate its responsibilities to set just and reasonable rates in the marketplace.
- Currently there is no valid measure of exactly what the hourly price is. There is no longer a Power Exchange; trading in regional electric markets is not robust enough; and the ISO won't be establishing hourly prices until it completes its market redesign.
- Passing excessive energy prices from a dysfunctional market directly through to end-use customers could cause significant rate shock and financial problems.

COMMENTS: The Energy Commission supports this measure. The Commission currently has an on-going proceeding to examine real-time pricing issues such as those described above in which the Energy Commission has been an active participant. This proceeding, as well as upcoming GRC's for each major utility provide forums for establishing real-time rate programs and examining the same issues that the proposed legislation seeks to address.

Passage of the bill in its current form will not hamper these efforts and does not infringe on the jurisdiction of the Commission in establishing real-time pricing tariffs. Therefore, the Office of Governmental Affairs recommends support of the bill in its present form.

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Date: April 29, 2002

BILL LANGUAGE:

BILL NUMBER: SB 1976 INTRODUCED
BILL TEXT

INTRODUCED BY Senator Torlakson

FEBRUARY 22, 2002

An act relating to energy resources, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 1976, as introduced, Torlakson. State Energy Resources Conservation and Development Commission: report: real-time pricing.

Existing law requires the State Energy Resources Conservation and Development Commission to conduct an ongoing assessment of the opportunities and constraints presented by all forms of energy.

This bill would require the commission, in consultation with the Public Utilities Commission, to report to the Legislature and the Governor, by November 1, 2002, regarding the feasibility of implementing real-time pricing tariffs for electricity in California.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: 2/3. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. The Legislature finds and declares all of the following:

(a) Californians can significantly increase the reliability of the electricity system and reduce the level of wholesale electricity prices by reducing electricity usage at peak times.

(b) Real-time pricing provides incentives to reduce electricity consumption in precisely those hours when supplies are tight and provides lower prices when wholesale prices are low.

(c) Real-time pricing is the fastest and most cost-effective way to achieve large amounts of demand reduction.

(d) Real-time pricing helps mitigate the market power or generators by allowing loads to participate in the wholesale market.

(e) The State of California, through Assembly Bill 29 of the 2001-02 First Extraordinary Session, has already invested thirty-five million dollars (\$35,000,000) in real-time meters for customers who consume greater than 200 kilowatts.

(f) Real-time pricing integrates information technology into the energy business, and creates new markets for communications, microelectronic controls, and information.

(g) It is the intent of the Legislature to promote energy conservation and demand reduction in the State of California.

SEC. 2. (a) On or before November 1, 2002, the State Energy Resources Conservation and Development Commission, in consultation with the Public Utilities Commission, shall report to the Legislature and the Governor regarding the feasibility of implementing real-time pricing tariffs for electricity in California.

(b) The report shall consider all of the following:

(1) How wholesale real-time prices would be calculated and made available to customers.

(2) Options for day-ahead and hour-ahead retail prices.

(3) Options for facilitating customer response to real-time prices and managing their utility costs support, such as real-time metering and communication systems, consumer-side of the meter notification, and automatic response equipment.

(4) Estimates of potential peak load reductions.

(5) Options for incorporating demand responsiveness into the wholesale competitive market and operations of the California Independent System Operator.

SEC. 3. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to determine the feasibility of real-time pricing as soon as possible, it is necessary that this act take effect immediately.